



PRESENTATION TO THE

NEW JERSEY STATE INVESTMENT COUNCIL

ANNUAL MEETING

JANUARY 12, 2011

STRATEGIC INVESTMENT SOLUTIONS, INC.

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NEW JERSEY STATE INVESTMENT COUNCIL

ANNUAL MEETING

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SIC Mission Statement

The role of the New Jersey State Investment Council is to formulate and establish policies governing the investment of assets by the Director of the Division of Investment consistent with his fiduciary duties as set forth by statute.

The mission of the New Jersey Division of Investment is to achieve the best possible return at an acceptable level of risk utilizing the highest fiduciary standards.

The Council provides fiduciary oversight for \$71 billion* in pension related assets on behalf of over 780,000 beneficiaries.

The Council does not have responsibility for:

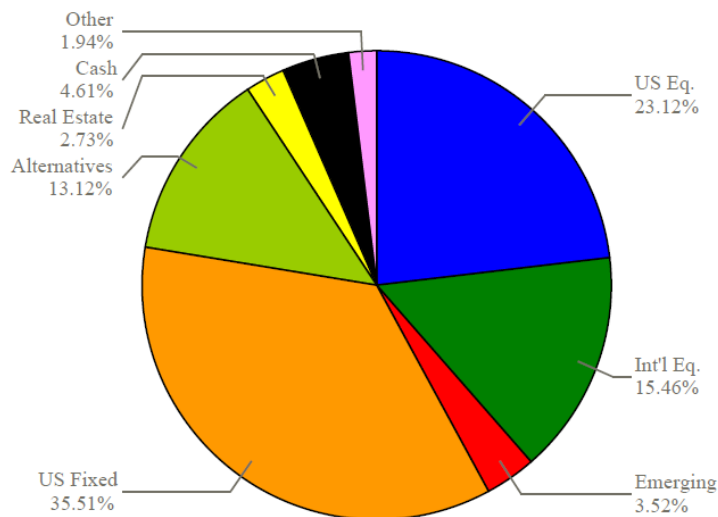
- Funding Policy (plan contributions)
- Benefits Policy (plan design)
- Actuarial Activities (setting actuarial expected return)

Division and SIC are also involved in overseeing the Supplemental Annuity Collective Trust (SACT), Trustees for the Support of Free Public Schools, and portions of NJ BEST and Deferred Compensation.

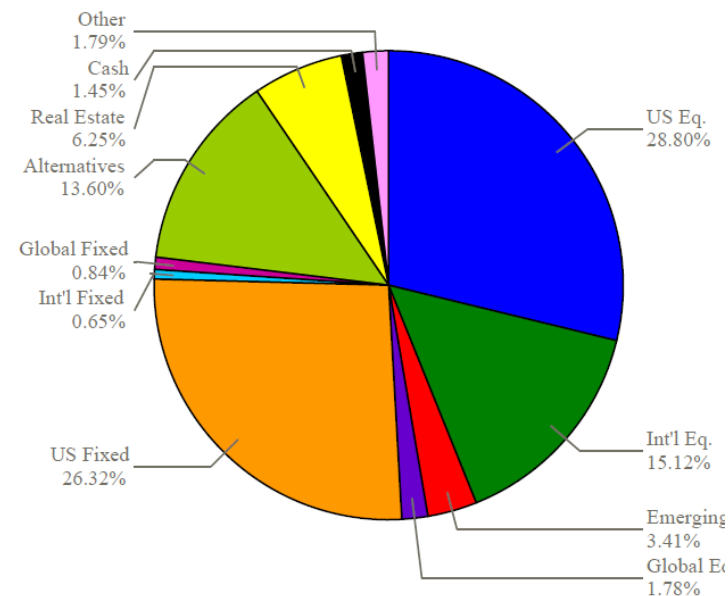
* As of 12/31/2010

NJDOI Asset Allocation Peer Comparison

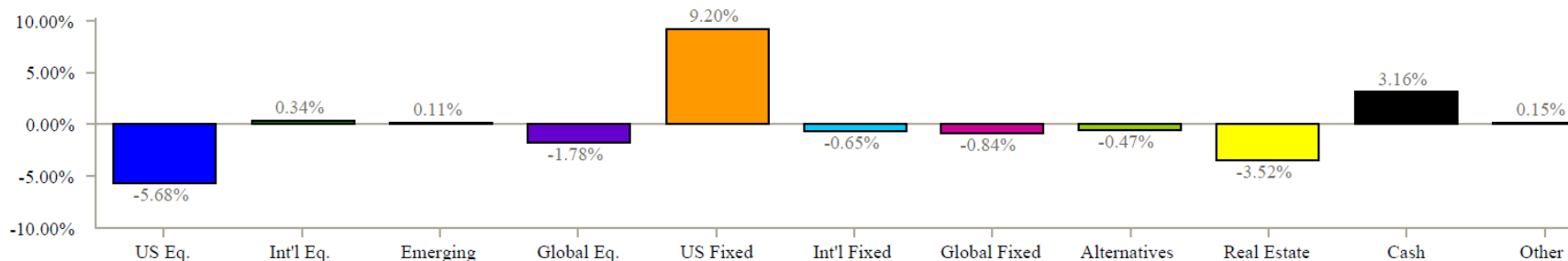
NJ Division of Investment



All Funds

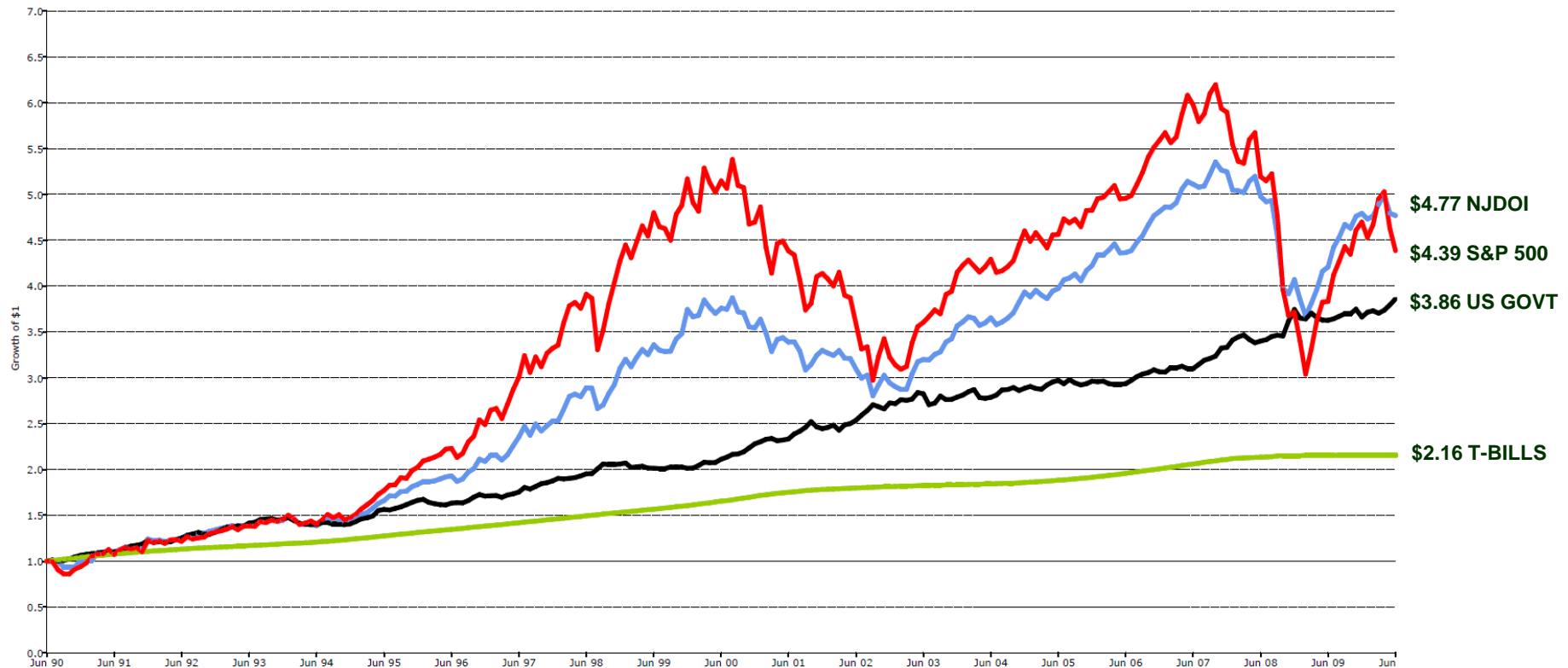


Variance



Source: RV Kuhns Public Pension Fund Survey, as of 6/30/2010

Growth of \$1 (20 Years)



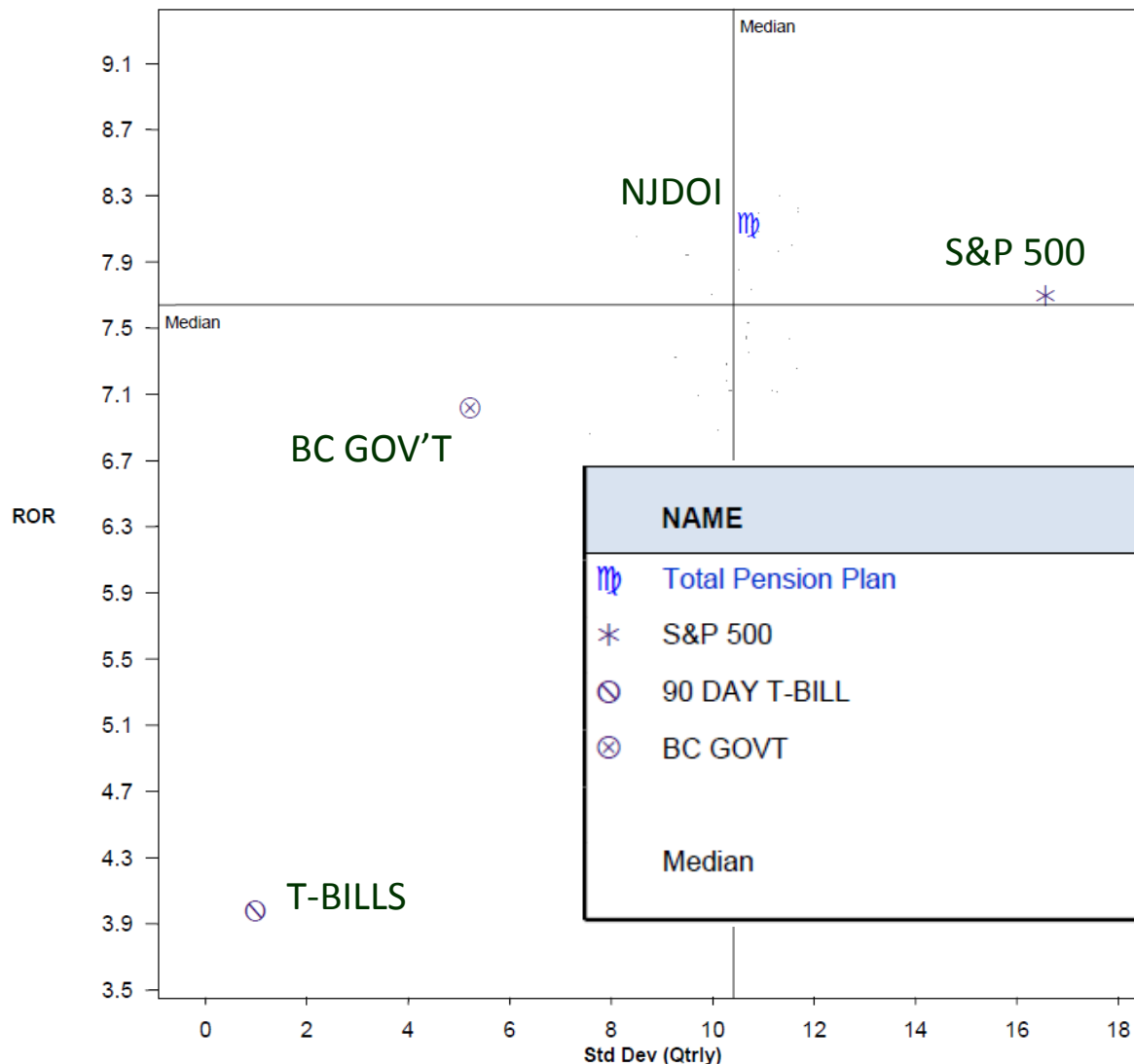
Legend

■ Total Pension Plan
■ Merrill Lynch 3-month T-Bill

■ BC Government
■ S&P 500 Index

Source: SIS

Historical Risk/Return (20 Years)



- Much higher return than Treasury bond or cash-only portfolio
- Much less risk than equity-only portfolio

Source: SIS



Definitions of Risk

Plan Governance

- Fiduciary Risk: Governing fiduciaries (Council, staff, advisors, etc.) fail to act solely in interests of plan participants and beneficiaries
- Human Nature Risk: Risk that a well-considered strategy will be abandoned at the worst possible moment under stressful conditions

Total Fund Asset Allocation

- Asset/Liability Risk: Structure of plan assets inappropriate for plan liabilities, and amount of plan assets inadequate for plan distributions (see next slide)

Asset Class Asset Allocation (aka Manager Structure)

- Benchmark Risk: Differences between asset class structure and asset class benchmark result in poor risk/reward tradeoff

Portfolio-Level

- Market Risk: Drop in asset values due to market events
- Active Risk: Investment manager will make sub-optimal investment decisions, resulting in underperformance



Definitions of Risk

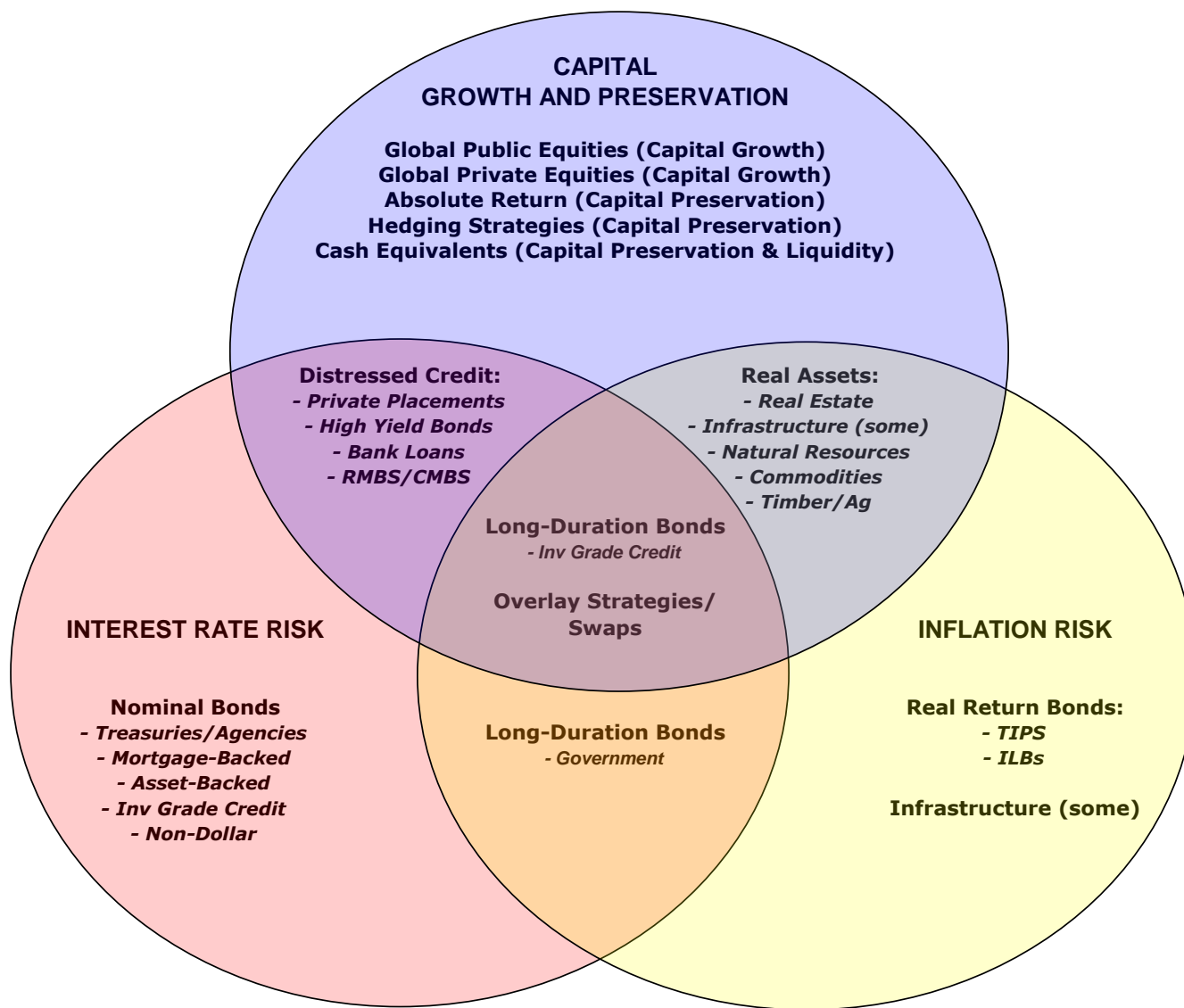
Asset/Liability Risk: Structure of plan assets inappropriate for plan liabilities, and amount of plan assets inadequate for plan distributions.

Asset Allocation Policy Seeks to Mitigate this by Addressing the Following:

- Asset Shortfall Risk: liquid assets insufficient to meet current obligations due to lack of growth, capital losses, or inadequate short-term liquidity
- Interest Rate Risk: changes in liabilities related to change in interest rates
- Inflation Risk: changes in liabilities related to changes in inflation
- Interest Rate and Inflation Risks are imbedded in both the assets and liabilities

Goal: To Simultaneously Hedge these Risks, Given Investment Opportunity Set and Resources Available to the Division.

Role of Assets in Hedging Risks



Risk and Decision Options

FUNDING RATIO



Note: If significant unfunded liability exists, the key is to make systematic progress to amortize it over a reasonable time period.

Risk and Decision Options: Scenario Analysis

■ Four Broad Scenarios to Assess Downside Risk

- Inflation – Similar to late 1970's and early 1980's market returns
- Deflation – Hypothetical (no extended deflation experienced in US recently)
- Low Return – Market conditions remain similar to now for extended period
- Recession – Similar to 1970's recession market returns

■ Most Favorable Outcome?

- GDP growth returns to “normal” with moderate inflation; measured increase in intermediate-long rates
- Equities, Intermediate Corporate and High Yield Bonds, and Inflation-Sensitive Assets should do well

History of Institutional Asset Allocation

■ Pre-1970s

- Assets invested mainly in fixed income: emphasis on capital preservation
- Large trust companies predominant investment managers
- “Prudent Man Standard” main decision-making guide

■ 1970s

- ERISA passed (1974)
- Initial use of equities by institutional investors (“balanced” portfolios)
- Concept of risk control in a portfolio context: asset diversification

■ 1980s

- Rise of boutique asset managers
- Early adopters investing in Real Estate and Private Equity (aka “LBO funds”)
- Total Return orientation

■ 1990s

- Big increase in equity exposure
- “Prudent Expert Standard” becomes main decision-making guide
- International equity/fixed income widely adopted



History of Institutional Asset Allocation

■ 2000s

- Popping of Internet/TMT bubble highlighted over-reliance on public equities
- Movement away from Mean Variance Optimization
- Rise of “endowment model”: broader use of Alternative Investments, including hedge funds, and emerging market investments
- Prevalence of LDI strategies, primarily among Corporate sponsors

■ TODAY

- “New Normal”: coping with low-return environment
- Risk control/downside protection and Risk Parity
- Investment strategies global in scope
- Need to be opportunistic to enhance returns and hedge against losses

NJDOI Asset Allocation History (1990-2000)

- Big increase in International exposure
- Fixed Income: source of funds
- Early discussion of Alternative Investments but not implemented

ASSET CLASS	Asset Allocation %		
	1990	1995	2000
US EQUITY	48.8%	52.3%	50.2%
US FIXED INCOME	47.4%	29.5%	26.1%
INTERNATIONAL EQUITY & FI	0.0%	11.0%	19.1%
CASH EQUIVALENTS	3.7%	7.2%	4.6%
TOTAL	100.0%	100.0%	100.0%

NJDOI Asset Allocation History (2000-2010)

- Primary Goals for 2005-2010: Improve Diversification and Risk- Adjusted Returns
 - Added Alternative Investments; Emerging Markets Equity; High Yield Fixed Income
- Introduced Inflation and Interest Rate Risk Hedges
 - Lengthened fixed income duration; added Commodities and Real Assets

2000-2005 TARGETS

ASSET CLASS	Target Alloc %
US EQUITY	50%
US FIXED INCOME	30%
INTERNATIONAL EQUITY	15%
CASH EQUIVALENTS	5%
TOTAL	100%

FY 2010-11 TARGETS

Asset Class/ Subcategory	Target Alloc %
FIXED INCOME	36.75%
Cash Equivalents	3.00%
US Core Fixed Income	30.25%
International Fixed Income	0.00%
High Yield	3.50%
GLOBAL EQUITY	39.00%
Developed Markets	34.00%
<i>US Large Cap</i>	18.00%
<i>US Small Cap</i>	1.00%
<i>International</i>	15.00%
Emerging Markets	5.00%
INFLATION SENSITIVE	9.00%
Commod/Real Assets	4.00%
TIPS	5.00%
PRIVATE EQUITY	5.50%
REAL ESTATE	3.00%
ABSOLUTE RETURN	6.75%
TOTAL	100.00%

NJDOI Asset Allocation Comparison

	BYRON WEIN (BLACKSTONE)	HARVARD	CALPERS	CURRENT NJDOI TARGETS
GLOBAL DEVELOPED EQUITY	10.0% (1)	22.0% (2)	49.0%	34.0% (3)
EMERGING MARKETS EQUITY	20.0%	11.0%	-	5.0%
GLOBAL FIXED INCOME	-	-	20.0%	-
U.S. FIXED INCOME	-	13.0%	-	30.25%
CASH EQUIVALENTS	-	2.0%	2.0%	3.0%
HIGH YIELD BONDS	20.0%	-	-	3.5%
U.S. TIPS	-	-	see footnote (5)	5.0%
REAL ESTATE	10.0%	9.0%	10.0%	3.0%
PRIVATE EQUITY	10.0%	13.0%	14.0%	5.5%
HEDGE FUNDS	20.0%	16.0%	see footnote (4)	6.75%
GOLD	5.0%	-	-	-
COMMODITIES/REAL ASSETS	5.0%	14.0%	5.0% (5)	4.0%

Sources: SIS, Blackstone, Goldman Sachs, CalPERS

(1) Comprised of "Large cap, multi-national growth companies in developed markets"

(2) 11% Domestic Equities; 11% Foreign Developed Market Equities

(3) 18% US Large Cap Equity; 1% US Small Cap Equity; 15% Int'l Developed Market Equity

(4) 5% Hedge Fund allocation included in Global Equities

(5) "Inflation Linked Assets" includes Commodities, ILBs, Infrastructure, and Forestland



Improved Asset Allocation Model for NJDOI

- Desire to move to a more diversified approach
 - Ability to assess different types of risks and desired exposures
 - Maintain implementation flexibility
 - Disaggregate Alternative Investments Exposures
- Proposed solution: Matrix approach with ranges
- Decision-making based on long-term strategic plan with shorter-term tactical opportunities:
 - Led by senior Division staff with Council oversight via IPC meetings:
 - Consider tactical asset allocation changes (within strategic ranges)
 - Review new investment opportunities
 - Discuss capital market environment

Comparative Asset Allocation Models

Alaska Permanent Fund (\$38.5 bn)

- Equities and Credit Exposure Combined (“Company Exposure”)
- Large “Special Opportunities” Allocation: Provides Implementation Flexibility
- Separate Risk Targets from Asset Allocation Targets

Table 8a: Strategic Asset Allocation Overview

Risk Class	Asset Class	Risk Class Target	Asset Class Target
Cash		2%	2%
Interest Rates		6%	
	U.S. Government Bonds		4%
	International Developed Government Bonds (currency hedged)		2%
Company Exposure		53%	
	Global Credit		11%
	Global Equity		36%
	Private Equity		6%
Real Assets		18%	
	Real Estate		12%
	Infrastructure		3%
	U.S. Treasury Inflation Protection Securities		3%
Special Opportunities*		21%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Distressed Debt		1%
	Mezzanine Debt		1%
	Structured Credit		1%
	Other (future opportunities)		5%

*Capital not invested in Special Opportunities will reside in the Company Exposure risk class. Hence, the risk class target allocation will vary depending upon the actual capital invested in Special Opportunities.

Source: Alaska Permanent Fund Statement of Investment Policy, Updated December 1, 2010



Comparative Asset Allocation Models

Alaska Permanent Fund (\$38.5 bn)

APFC STATEMENT OF BOARD PHILOSOPHY

Asset Allocation

Strategic asset allocation is a fiduciary responsibility, which is a basic duty of the Board. To meet the long-term real, i.e. inflation-adjusted, return objective, the portfolio should be built on a diversified global portfolio.

Risk Tolerance

A global equity-oriented portfolio will produce long-term returns that out-weigh the short-term and medium-term risks to the corpus. The Board believes the markets will exhibit volatility. A temporary loss of capital may occur in the future, but the long-term nature of the Fund allows it to weather such occurrences.

Time Horizon

To preserve the purchasing power of the corpus and provide benefits to the current and future generations the portfolio should have a strategic asset allocation built on a long-term investment horizon.

Preservation of Capital

It is important to limit loss of capital in down markets, as large negative underperformance mathematically reduces the probability of meeting the long-term real return objective.

Rebalancing

Rebalancing the portfolio should enhance returns and control risk over the long-term.

Diversification

Diversification of asset class, sub-asset class, risk and manager are the primary techniques available to institutional investors for maximizing the potential return per unit of risk when investing to produce returns higher than cash.

Sources of Return

The Fund's risk and return relationships should be predominantly-based on market risks and returns, rather than less predictable and difficult to find active management returns.

Internal Asset Management

Where internal management has the capability to produce competitive returns, internal asset management benefits the Fund through lower fees, greater transparency and increased market awareness.

Liquidity

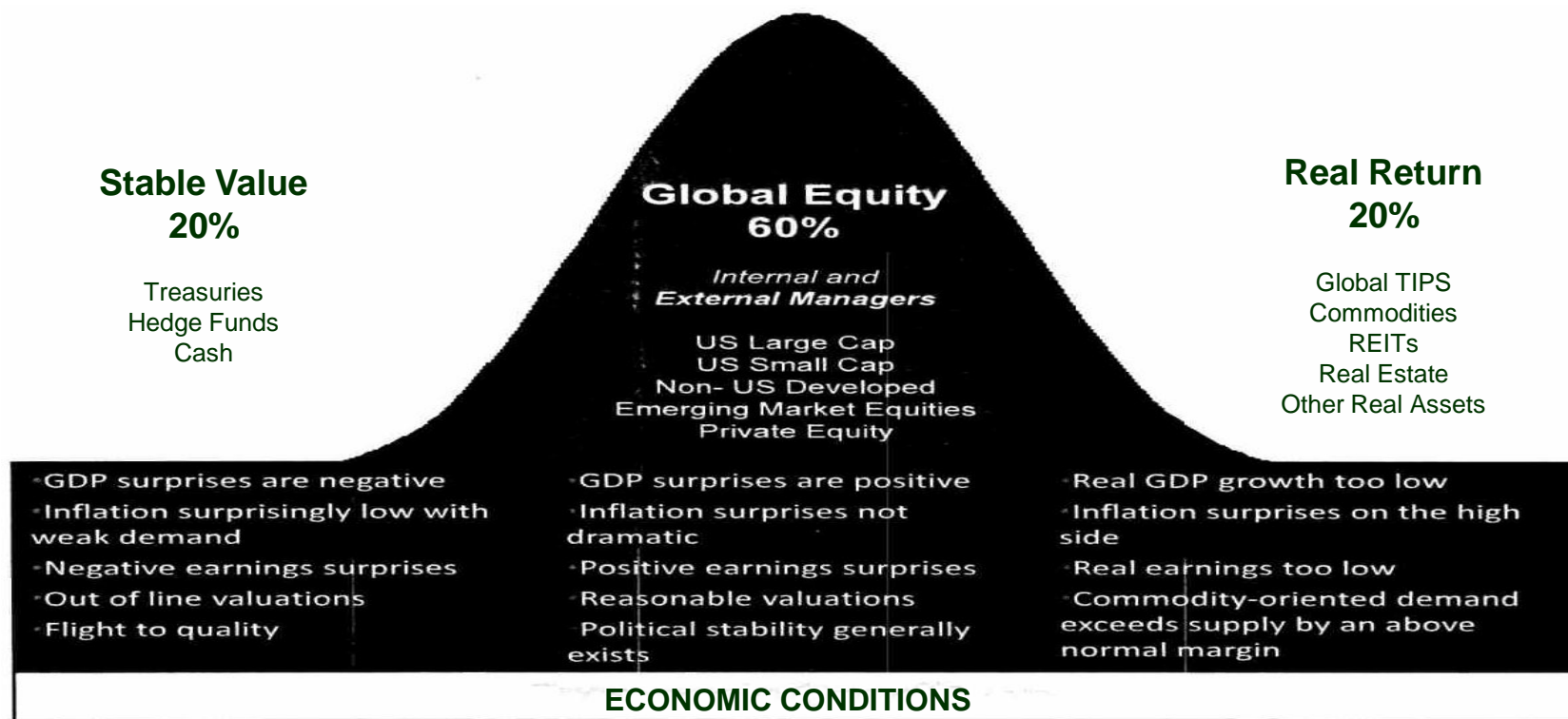
The Fund has limited demands in terms of liquidity as royalties, coupons, rent and dividends often meet the annual distributions. Given the Fund's liquidity profile and long-term investment horizon it has the ability to take advantage of the superior risk-adjusted returns provided by prudent investments in private securities.

Source: Alaska Permanent Fund Statement of Investment Policy, Adopted April, 2010

Comparative Asset Allocation Models

Teachers' Retirement System of Texas (\$94.9 bn)

- “Stable Value” includes some hedge funds – these have an absolute return focus & serve as a fixed income substitute
- External Managers: alpha-oriented; limited to 30% of Fund

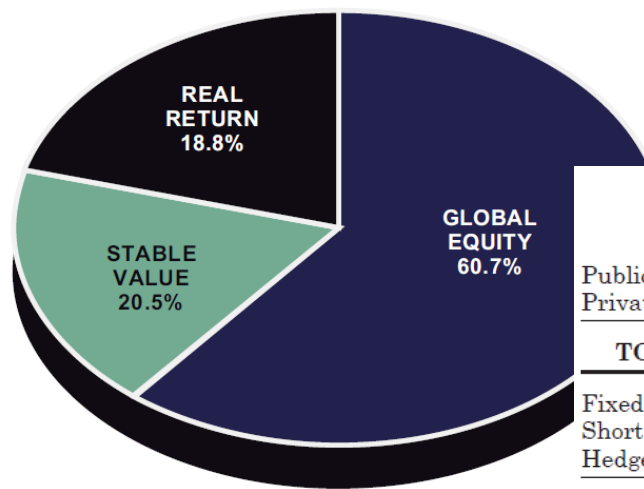


Source: Teachers Retirement System of Texas

Comparative Asset Allocation Models

Teachers' Retirement System of Texas (\$94.9 bn)

Asset Allocation
Actual at Fiscal Year End



	POLICY RANGES			
	Low	High	Neutral	Actual
Public Equity	n/a	n/a	52.0%	51.7%
Private Equity	3.0%	13.0%	8.0%	9.0%
TOTAL GLOBAL EQUITY	55.0%	65.0%	60.0%	60.7%
Fixed Income ¹	0.0%	20.0%	15.0%	15.3%
Short-Term	0.0%	6.0%	1.0%	1.0%
Hedge Funds	0.0%	5.0%	4.0%	4.2%
TOTAL STABLE VALUE	15.0%	25.0%	20.0%	20.5%
Inflation Linked Bonds	0.0%	13.0%	8.0%	8.6%
Real Assets	0.0%	13.0%	8.0%	6.0%
Commodities	0.0%	7.0%	2.0%	2.2%
REITS ²	0.0%	7.0%	2.0%	2.0%
TOTAL REAL RETURN	15.0%	25.0%	20.0%	18.8%
TOTAL				100.0%

¹ Does not include Inflation Linked Bonds in Real Return Portfolio.

² Dedicated portfolio in addition to Global Equity holdings.

Comparative Asset Allocation Models

California PERS (\$218.8 bn)

“Staff believes the new structure provides a combination of return-seeking and hedging portfolios that will allow for better risk management and capital allocation.”

“You can’t get solid returns without taking risk, but we want to make sure we know what that risk is and that we’ll be paid to take it.”

AAC: Alternative Asset Classifications

AAC	Consists of	Purpose	Proposed target %	New range (plus, minus)
Growth	Public Equity, Private Equity	Positive exposure to economic growth – equity risk premium	63	7
Income	Fixed Income	Provide income return	16	5
Real	Real Estate, Infrastructure, Forestland	Provide long horizon income return that is less sensitive to inflation risk	13	5
Inflation	Commodities, Inflation-Linked Bonds	Public market investments with positive inflation exposure	4	3
Liquidity	Cash, Nominal Gov't Bonds	Hedge equity and deflation risks provide liquidity	4	3

Source: CalPERS; Top1000Funds.com



NJDOJ 2011 Initiatives

- Accountability for Performance, both Individual and Group
- Upgrade Technology
- Integration Among Asset Class Teams
- Portfolio Structure Considerations
 - Restructure a portion of Domestic and International Equity Portfolios into Global Portfolio
 - Segregate internal equity portfolios into active and passive buckets
 - Add internal small cap portfolio
 - Carve out an internal global public REIT portfolio
 - Expand internal Fixed Income portfolio to include high yield bonds
 - Identify efficient inflation protection investment options aside from TIPS
 - Diversify Commodity portfolio (see slide 25)
 - Implement daily unitization to enable daily cash transfers
 - Review benchmarks for all asset classes
 - Explore strategic partnerships with US and Canadian pension funds

NJDOI 2011 Initiatives

■ Develop Internal Risk Management Group Process

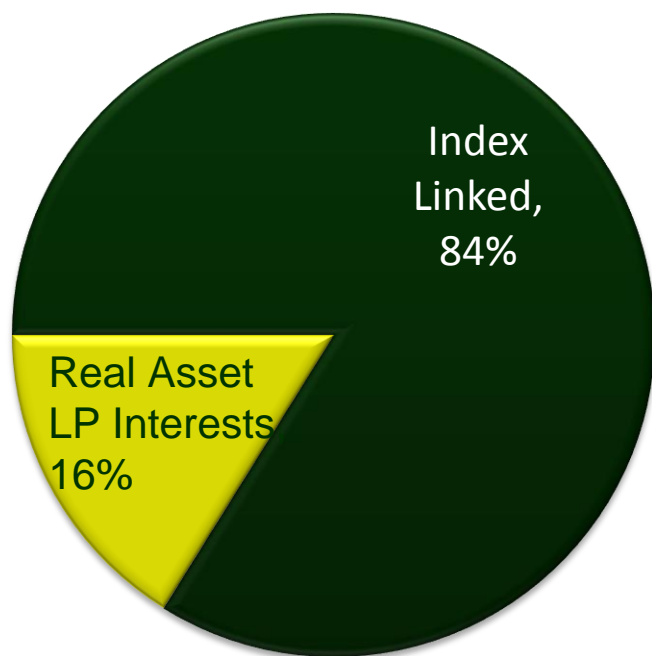
- Three member Risk Committee created. To be expanded to five members.
- Develop Risk Budget
- Develop formal risk management and investment guidelines for internal portfolios
- Consider new risk factors for asset allocation
- Expand Active Hedging Program

■ Update Council Regs

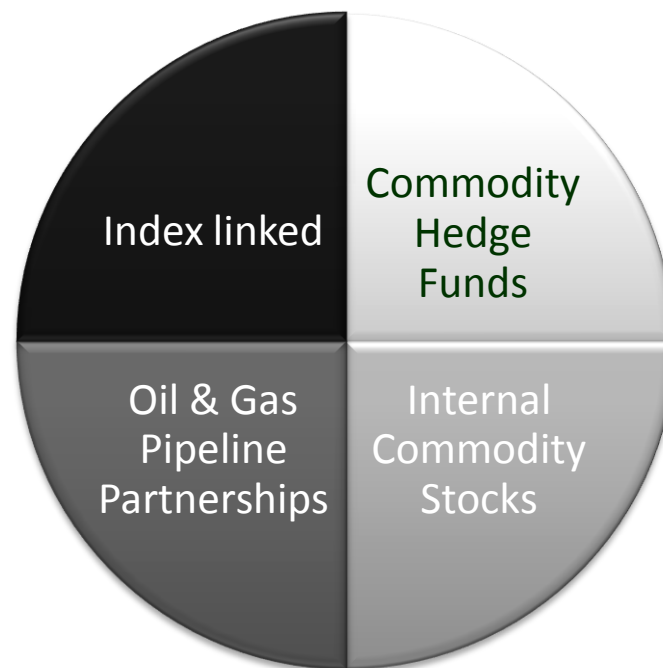
- To allow for better hedging ability to protect on the downside
 - Example: currently no ability to hedge fixed income portfolio with simple puts
- Possibilities: Limited Put Spreads and Call Spreads, Limited Short Sales

Example: Commodity Portfolio Structure

Current



Proposed



Asset Class Descriptions

ASSET CLASS	TRADITIONAL BENCHMARKS	SIS EXPECTED RETURN	STANDARD DEVIATION
GLOBAL EQUITY	MSCI All-Country World Index (ACWI) FTSE All-World Index	8.1%	17.0%
U.S. FIXED INCOME	BC Aggregate Index Citi Large Pension Fund (LPF) Index BC Long Gov't/Credit Index	3.8%	6.4%
U.S. TIPS	BC TIPS Index	3.1%	4.5%
U.S. HIGH YIELD	ML High Yield Master II BC High Yield Index	5.5%	9.0%
INTERNATIONAL FIXED INCOME	BC Global Aggregate Index Citi World Gov't Bond Index (WGBI)	3.2%	10.0%
EMERGING MARKETS DEBT	JPMorgan Emerging Mkt Bond Index (EMBI)	5.6%	12.8%
CASH	Citi 91-day T-bill Index	2.0%	1.3%

Asset Class Descriptions

ASSET CLASS	TRADITIONAL BENCHMARKS	SIS EXPECTED RETURN	STANDARD DEVIATION
PRIVATE MARKETS	Public Equity + spread (typically 300-500 bps)	10.6%	35.0%
	Cambridge Assoc PE Index		
REAL ESTATE	NCREIF Property Index	6.8%	19.0%
ABSOLUTE RETURN	HFRI/HFRX Series		
	LIBOR + spread (300-500 bps)	6.0%	10.0%
COMMODITIES	S&P-GSCI Commodity Index		
	DJ-UBS Commodity Index	5.5%	28.0%

SIS Capital Market Expectations (11/2010)

	EXPECTED RETURN	STANDARD DEVIATION	SHARPE RATIO
U.S. INFLATION	2.2%		
U.S. LARGE CAP STOCK	8.1%	17.0%	0.359
U.S. SMALL CAP STOCK	8.5%	20.5%	0.317
U.S. FIXED INCOME	3.8%	6.4%	0.281
INT'L DEVELOP MARKETS STOCK	8.1%	18.0%	0.339
EMERGING MARKETS STOCK	8.6%	29.0%	0.228
INTERNATIONAL FIXED INCOME	3.2%	10.0%	0.120
FIXED INCOME OPPORTUNITY	5.8%	8.7%	0.437
PRIVATE MARKETS	10.6%	35.0%	0.246
REAL ESTATE	6.8%	19.0%	0.253
ABSOLUTE RETURN	6.0%	10.0%	0.400
U.S. HIGH YIELD	5.5%	9.0%	0.389
EMERGING MARKETS DEBT	5.6%	12.8%	0.281
BANK LOANS	6.0%	8.7%	0.460
U.S. TIPS	3.1%	4.5%	0.244
COMMODITIES	5.5%	28.0%	0.125
CASH	2.0%	1.3%	0.000

SIS Capital Market Expectations: Correlations

	US LRG CAP STK	U.S. SML CAP STK	INTL DEV MKT STK	EMERG MKT STK	US FIXED INCOME	US TIPS	US HIGH YIELD	INTL FIXED INCOME	EMERG MKT DEBT	PRIVATE MARKETS	REAL ESTATE	ABSOLUTE RETURN	COMMOD ITIES	CASH
US LARGE CAP STK	1.00													
US SML CAP STK	0.84	1.00												
INT'L DEV MKT STK	0.81	0.72	1.00											
EMERG MKT STK	0.58	0.66	0.72	1.00										
US FIXED INCOME	0.17	0.11	0.09	-0.07	1.00									
US TIPS	0.08	0.08	0.05	0.05	0.39	1.00								
US HIGH YIELD	0.67	0.70	0.59	0.55	0.33	0.19	1.00							
INTL FIXED INCOME	0.11	0.01	0.31	0.11	0.45	0.30	0.31	1.00						
EMERG MKT DEBT	0.52	0.60	0.46	0.50	0.27	0.25	0.56	0.12	1.00					
PRIVATE MARKETS	0.62	0.63	0.49	0.52	-0.12	-0.10	0.59	-0.04	0.37	1.00				
REAL ESTATE	0.61	0.65	0.61	0.56	0.16	0.26	0.70	0.01	0.53	0.30	1.00			
ABSOLUTE RETURN	0.55	0.50	0.58	0.51	0.28	0.30	0.38	0.20	0.60	0.37	0.41	1.00		
COMMODITIES	0.26	0.27	0.28	0.30	-0.03	0.48	0.12	0.09	0.44	0.23	0.29	0.54	1.00	
CASH	0.23	0.02	0.15	-0.02	0.34	0.12	-0.10	-0.03	0.10	0.07	-0.05	0.49	0.19	1.00

Asset Class Performance is Unpredictable

Best ↑

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD
37.05%	33.36%	28.58%	66.42%	31.84%	12.35%	25.91%	62.14%	33.16%	34.54%	35.97%	39.78%	8.44%	79.02%	10.24%
23.17%	22.36%	20.34%	27.31%	31.04%	8.44%	16.56%	56.28%	31.27%	26.65%	32.59%	16.23%	5.24%	58.21%	5.33%
22.96%	19.66%	16.43%	24.69%	16.16%	7.89%	14.81%	47.25%	25.95%	21.40%	26.86%	16.05%	2.06%	47.32%	5.17%
17.38%	17.65%	11.77%	24.35%	14.26%	7.28%	10.25%	39.17%	20.70%	21.36%	19.67%	11.63%	-2.35%	32.46%	5.10%
16.49%	15.12%	8.69%	21.26%	13.15%	6.61%	5.55%	36.18%	18.33%	14.02%	18.37%	11.63%	-10.00%	28.60%	4.51%
11.71%	14.52%	5.23%	21.04%	12.40%	5.62%	3.58%	28.97%	13.06%	13.82%	16.32%	9.91%	-20.47%	27.18%	4.41%
11.35%	12.76%	3.94%	20.19%	11.63%	5.28%	3.12%	28.68%	11.13%	6.75%	15.79%	6.97%	-26.16%	26.46%	0.05%
6.34%	9.65%	3.75%	13.17%	6.18%	4.42%	1.78%	23.93%	10.88%	5.33%	11.85%	6.60%	-33.79%	18.91%	-1.52%
6.04%	5.33%	1.87%	4.85%	-3.02%	2.49%	-1.41%	11.93%	9.15%	4.91%	9.85%	5.49%	-35.65%	11.41%	-1.95%
5.30%	2.05%	-2.55%	2.40%	-5.86%	-2.37%	-6.00%	9.27%	8.56%	4.55%	4.85%	5.00%	-37.00%	9.66%	-6.04%
3.63%	-3.39%	-17.01%	2.39%	-7.22%	-11.89%	-7.44%	8.39%	8.46%	3.07%	4.33%	1.87%	-39.20%	5.93%	-6.65%
0.14%	-11.60%	-25.33%	-0.82%	-9.10%	-12.11%	-15.66%	5.87%	6.79%	2.84%	2.71%	1.79%	-43.06%	1.92%	-6.91%
N/A	N/A	-27.03%	-2.58%	-13.96%	-19.51%	-20.48%	4.10%	4.34%	2.74%	2.07%	-1.57%	-46.78%	0.21%	-9.60%
N/A	N/A	N/A	-7.65%	-30.61%	-21.21%	-22.10%	1.15%	1.33%	2.43%	0.41%	-17.55%	-53.18%	-29.76%	-12.93%

↓ Worst

S&P 500 - US Large Cap	R 2000 - US Small Cap	MSCI EAFE (Gross) - Int'l Dev.	MSCI EAFE Sm Cap (Gross) - Int'l SC	MSCI Emg Mkts Index (Gross)	BC Agg Bond - FI	BC US Corp: Hi Yield - FI	BC US Trsy: US TIPS - FI	BC US Gov't/Cre dit: Lng Trm Bond - FI	NCREIF ODCE (Gross) - Real Estate	Wilshire US REIT - REITs	HFN FOF Multi-Str at (Net) - ARS	DJ-UBS Cmdty (TR) - Commodi ties	BofA ML 3 Mo T-Bill - Cash Equiv
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Source: RV Kuhns

Capital Market Performance as of 6/30/2010

US Equity Indices	Style	1 Year	3 Years	5 Years	10 Years
Russell 3000	Broad US Equity	15.72%	(9.47%)	(0.48%)	(0.92%)
Russell 1000	Large Cap Equity	15.23%	(9.54%)	(0.56%)	(1.22%)
Russell Mid Cap	Mid Cap Equity	25.13%	(8.19%)	1.22%	4.24%
Russell 2000	Small Cap Equity	21.48%	(8.60%)	0.37%	3.00%
DJW US REIT Index	REITS	55.68%	(10.33%)	(0.36%)	9.74%

Non-US Indices

MSCI EAFE	Developed Non-US Equity	6.38%	(12.94%)	1.35%	0.56%
MSCI Emerging Mkts.	Emerging Non-US Equity	23.48%	(2.22%)	13.07%	10.33%

US Fixed Income Indices

ML 3-month T-Bill	Cash	0.16%	1.57%	2.77%	2.69%
Barclays US Aggregate	Core Bonds	9.50%	7.55%	5.54%	6.47%
ML US Gov't/Credit	Core Bonds	9.84%	7.26%	5.22%	6.45%
ML US Corporate Master	Corporate Bonds	16.32%	7.11%	5.16%	6.96%
Barclays Mortgage Backed Securities	Mortgages	7.47%	8.23%	6.25%	6.54%
Merrill Lynch High Yield Master II	High Yield Bonds	27.53%	6.39%	7.10%	7.12%

Source: SIS

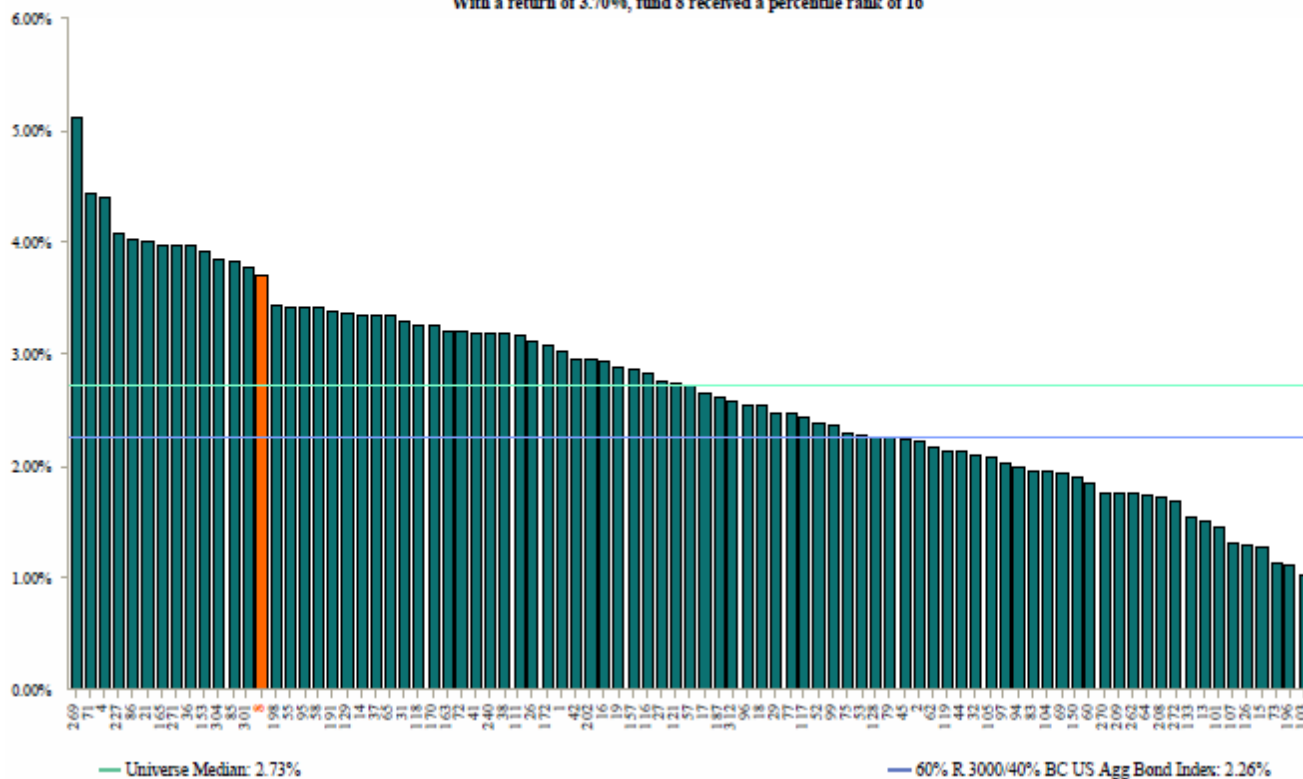
Peer Group Performance

5 Year Annualized Total Fund Returns

As of June 30, 2010

Fund Number: 8

87 of 92 funds provided Total Fund returns for this time period
With a return of 3.70%, fund 8 received a percentile rank of 16



Source: RV Kuhns

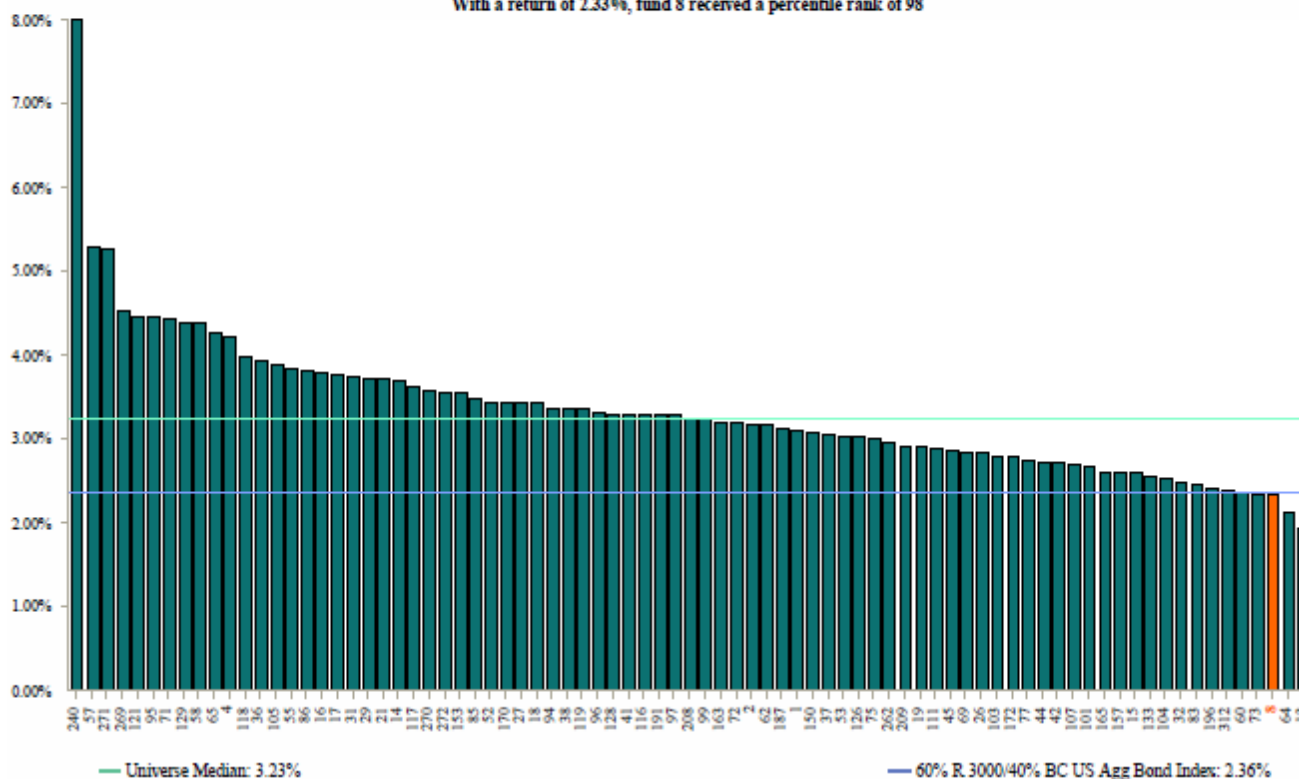
Peer Group Performance

10 Year Annualized Total Fund Returns

As of June 30, 2010

Fund Number: 8

81 of 92 funds provided Total Fund returns for this time period
With a return of 2.33%, fund 8 received a percentile rank of 98



Source: RV Kuhns

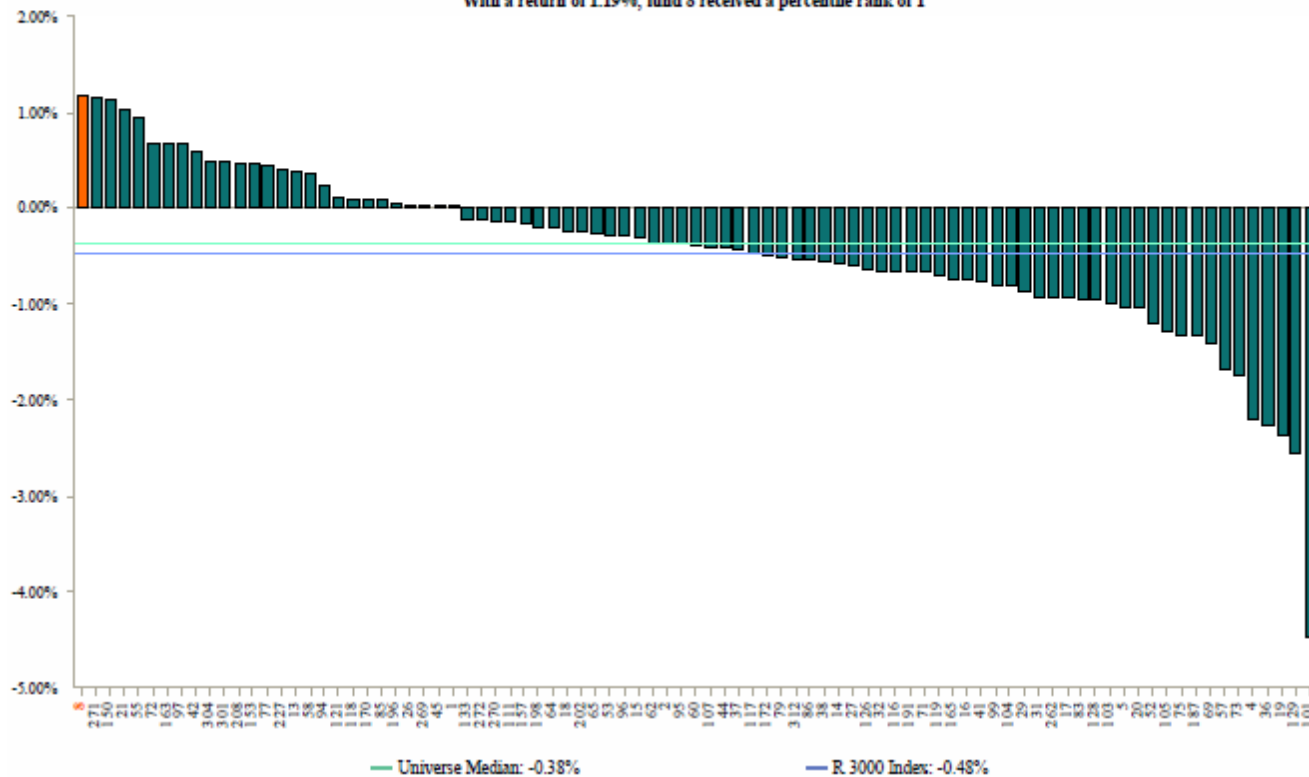
Peer Group Performance

5 Year Annualized US Equity Returns

As of June 30, 2010

Fund Number: 8

87 of 92 funds provided US Equity returns for this time period
With a return of 1.19%, fund 8 received a percentile rank of 1



Source: RV Kuhns

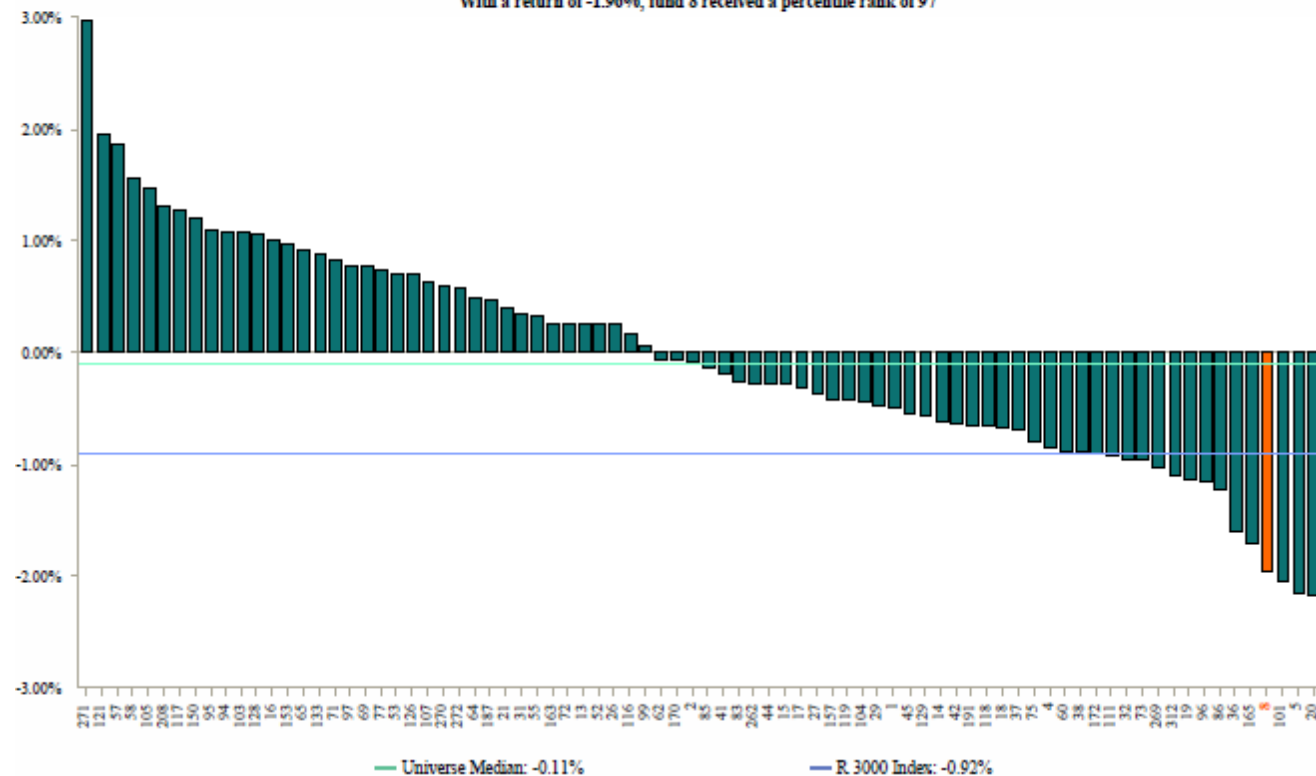
Peer Group Performance

10 Year Annualized US Equity Returns

As of June 30, 2010

Fund Number: 8

80 of 92 funds provided US Equity returns for this time period
With a return of -1.96%, fund 8 received a percentile rank of 97



Source: RV Kuhns

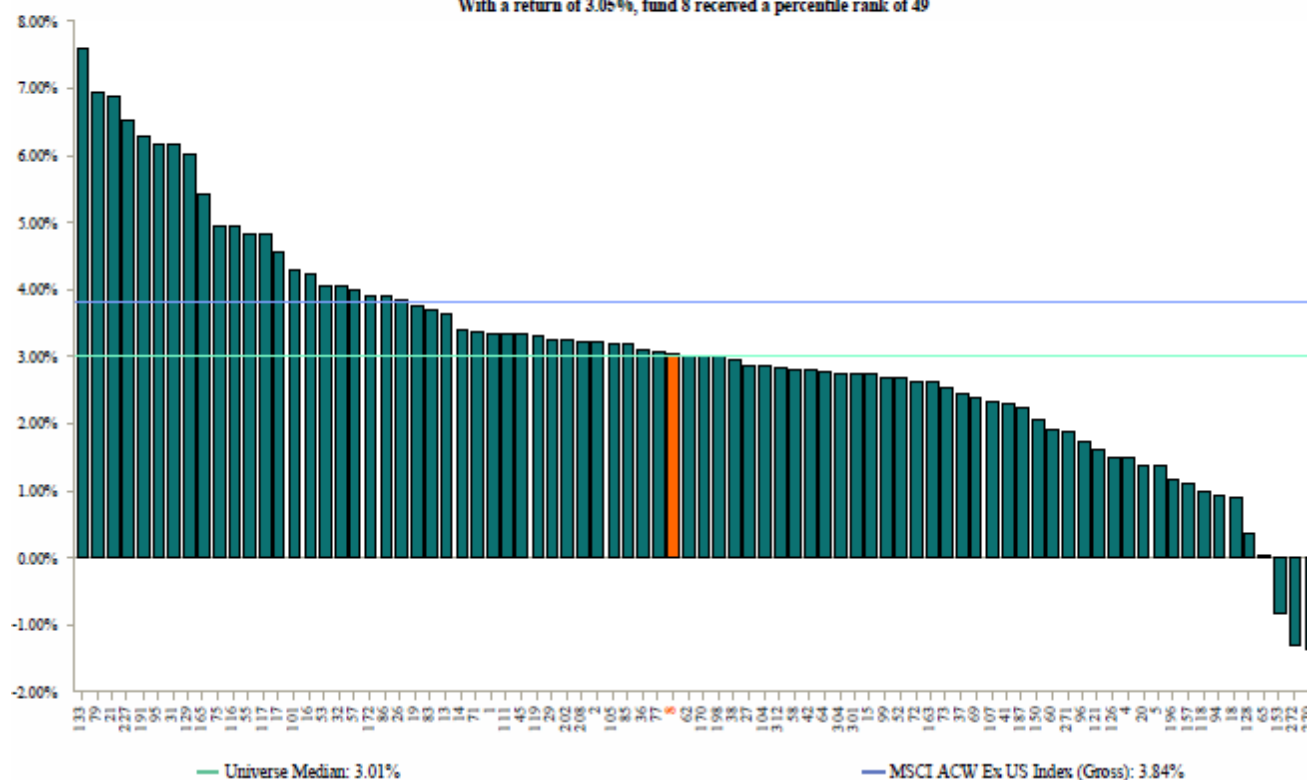
Peer Group Performance

5 Year Annualized International Equity Returns

As of June 30, 2010

Fund Number: 8

82 of 92 funds provided International Equity returns for this time period
With a return of 3.05%, fund 8 received a percentile rank of 49



Source: RV Kuhns

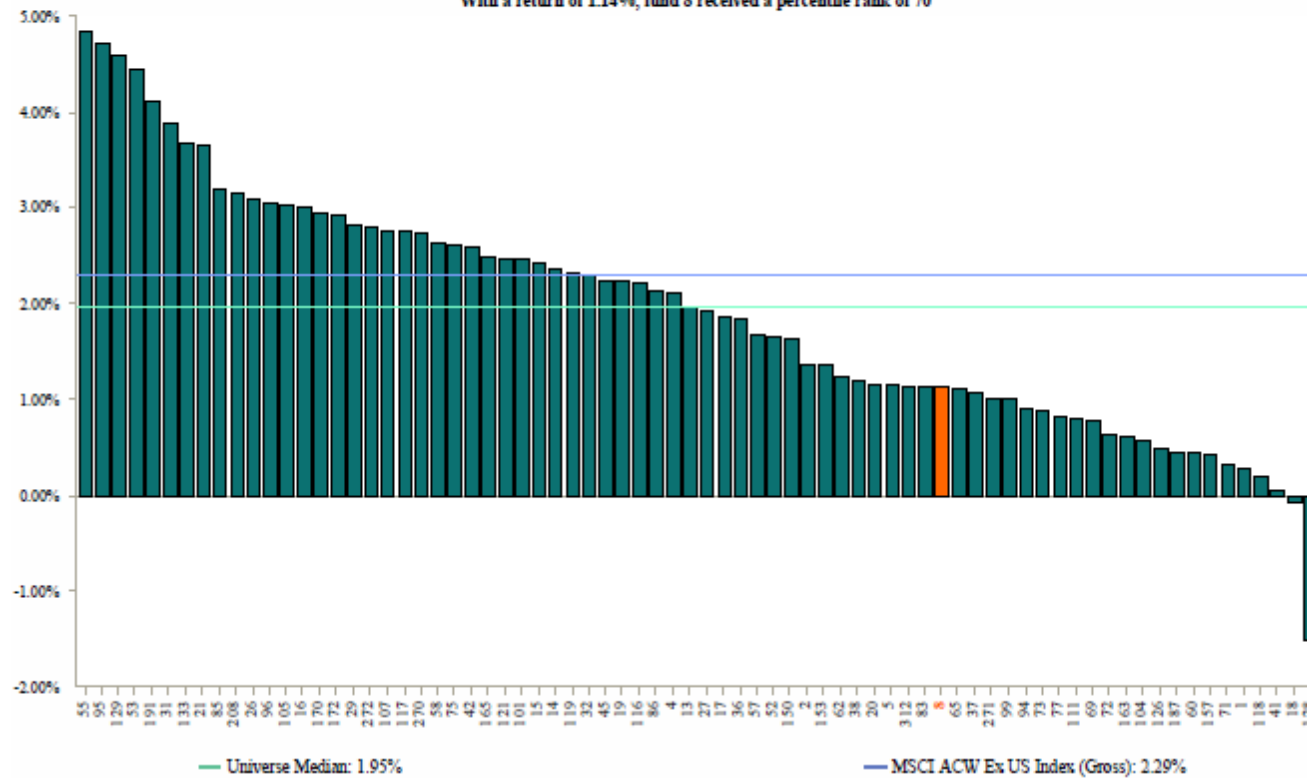
Peer Group Performance

10 Year Annualized International Equity Returns

As of June 30, 2010

Fund Number: 8

74 of 92 funds provided International Equity returns for this time period
With a return of 1.14%, fund 8 received a percentile rank of 70



Source: RV Kuhns

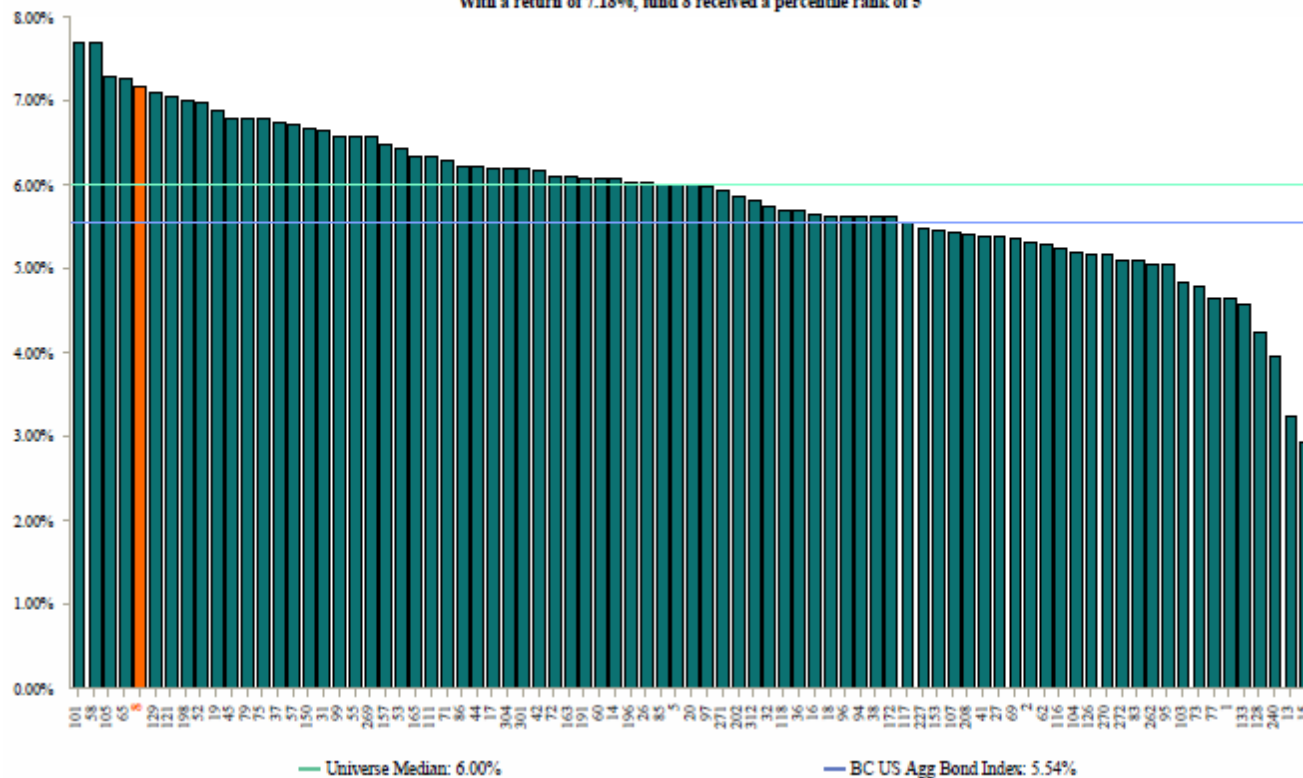
Peer Group Performance

5 Year Annualized US Fixed Income Returns

As of June 30, 2010

Fund Number: 8

81 of 86 funds provided US Fixed Income returns for this time period
With a return of 7.18%, fund 8 received a percentile rank of 5



Source: RV Kuhns

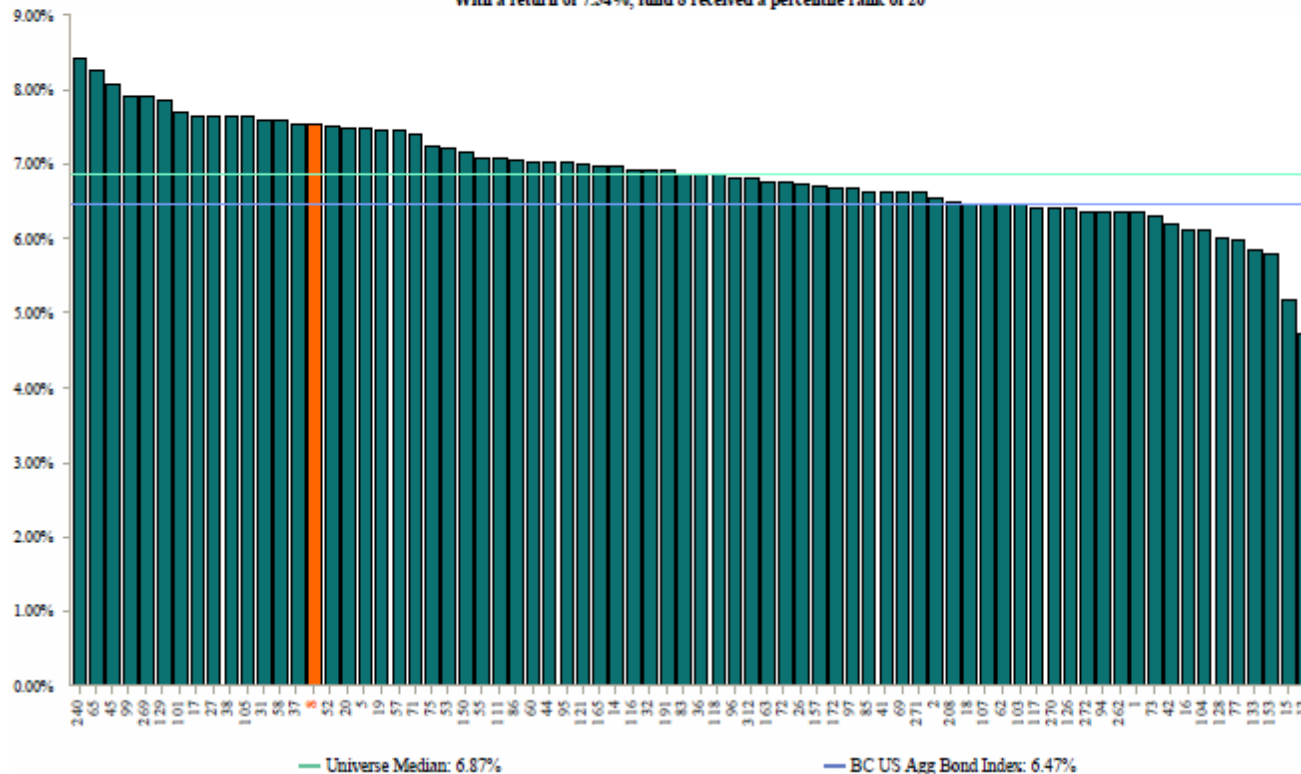
Peer Group Performance

10 Year Annualized US Fixed Income Returns

As of June 30, 2010

Fund Number: 8

74 of 86 funds provided US Fixed Income returns for this time period
With a return of 7.54%, fund 8 received a percentile rank of 20



Source: RV Kuhns

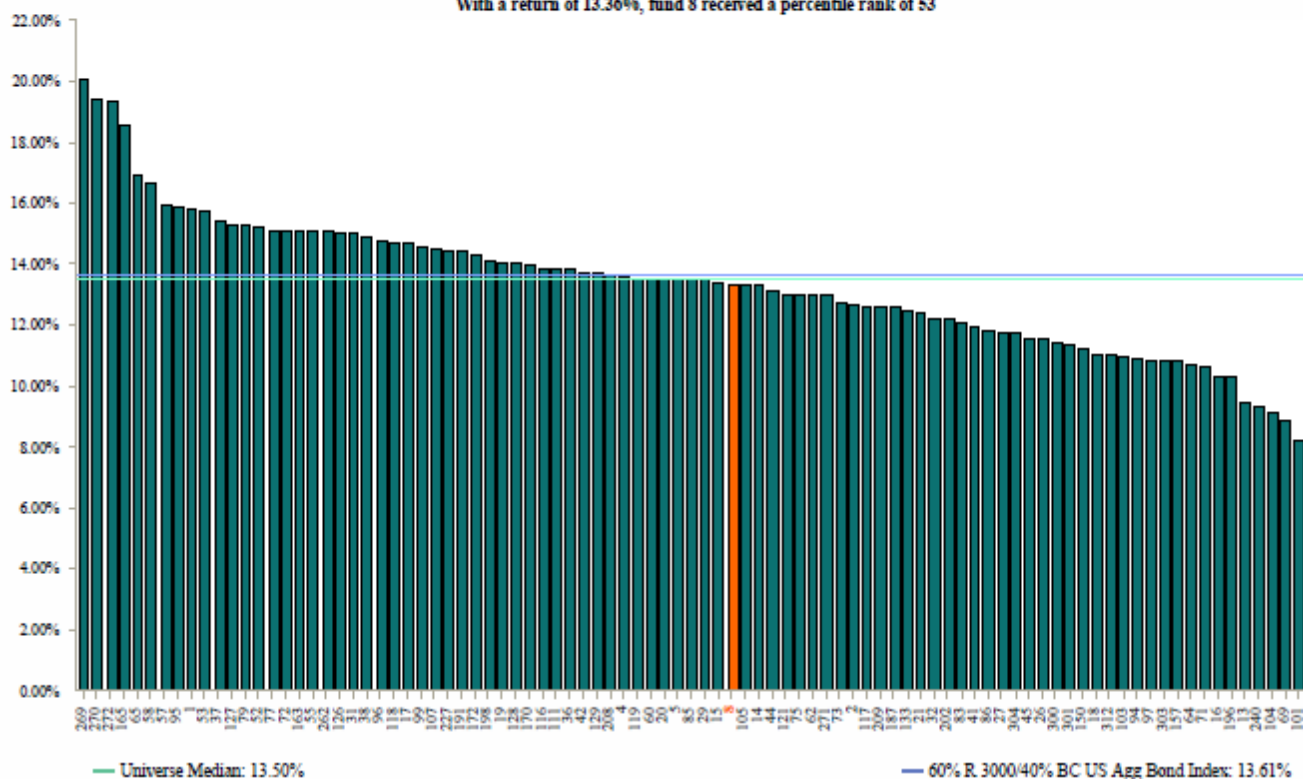
Peer Group Performance

1 Year Annualized Total Fund Returns

As of June 30, 2010

Fund Number: 8

92 of 92 funds provided Total Fund returns for this time period
With a return of 13.36%, fund 8 received a percentile rank of 53



Source: RV Kuhns

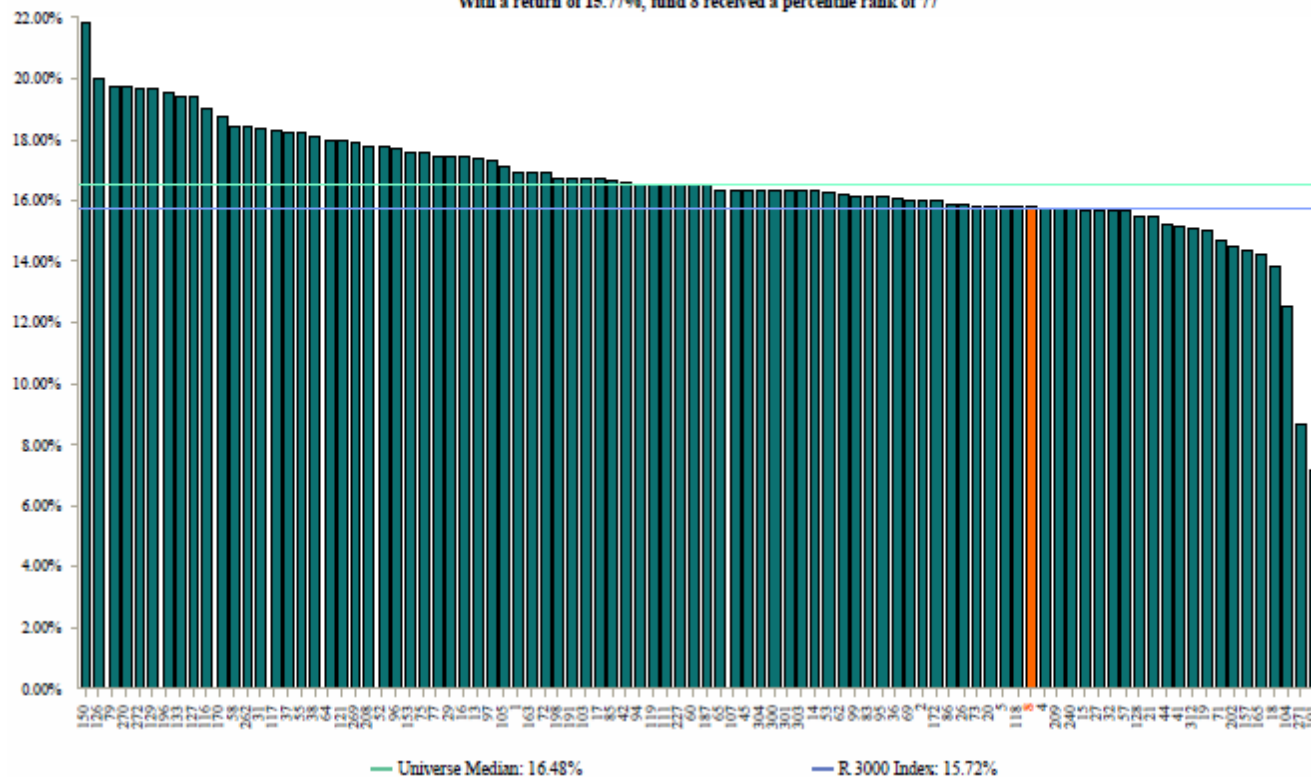
Peer Group Performance

1 Year Annualized US Equity Returns

As of June 30, 2010

Fund Number: 8

92 of 92 funds provided US Equity returns for this time period
With a return of 15.77%, fund 8 received a percentile rank of 77



Source: RV Kuhns

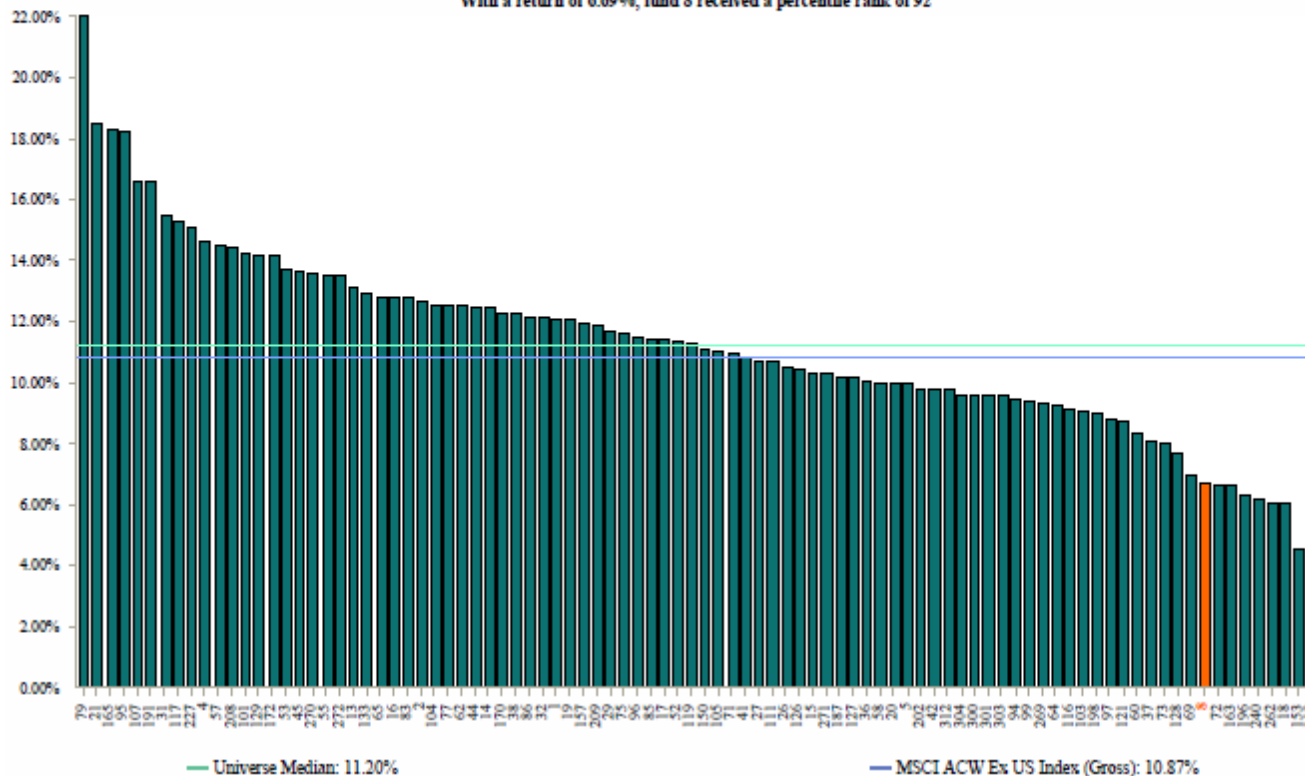
Peer Group Performance

1 Year Annualized International Equity Returns

As of June 30, 2010

Fund Number: 8

92 of 92 funds provided International Equity returns for this time period
With a return of 6.69%, fund 8 received a percentile rank of 92



Source: RV Kuhns

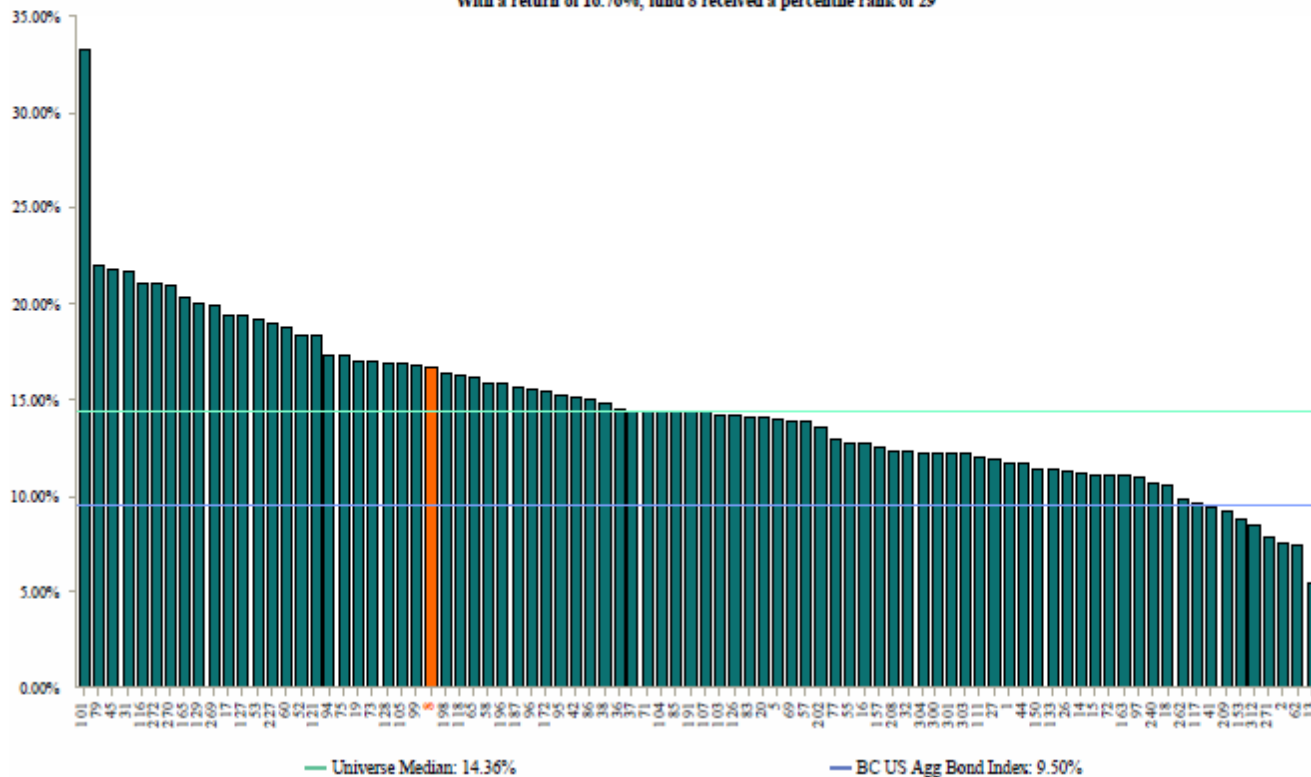
Peer Group Performance

1 Year Annualized US Fixed Income Returns

As of June 30, 2010

Fund Number: 8

86 of 86 funds provided US Fixed Income returns for this time period
With a return of 16.76%, fund 8 received a percentile rank of 29



Source: RV Kuhns

Division of Investment Performance

NJDOI PERFORMANCE COMPARISON

Returns for Periods Ended 6/30/2010

Asset Class	1 Year			3 Years			5 Years			10 Years		
	NJDOI Return	Benchmk Return	NJDOI Alpha	NJDOI Return	Benchmk Return	NJDOI Alpha	NJDOI Return	Benchmk Return	NJDOI Alpha	NJDOI Return	Benchmk Return	NJDOI Alpha
TOTAL FUND	13.4%	13.5%	-0.2%	-2.3%	-3.1%	0.8%	3.7%	2.8%	1.0%	2.4% *	2.4%	0.0%
US Equity	15.8%	15.6%	0.2%	-7.3%	-9.4%	2.1%	1.2%	-0.5%	1.7%	-1.9%	-0.9%	-1.0%
International Equity	6.7%	8.3%	-1.6%	-9.8%	-13.0%	3.3%	3.1%	1.4%	1.7%	1.1%	0.4%	0.7%
US Fixed Income	16.8%	16.5%	0.3%	10.7%	10.1%	0.6%	7.2%	7.1%	0.1%	7.5%	7.4%	0.1%
Private Equity	17.1%	19.0%	-1.9%	-1.0%	-6.7%	5.7%						
Real Estate	-5.5%	-1.5%	-4.0%	-16.0%	-4.7%	-11.3%						
Hedge Funds	9.8%	4.7%	5.1%	-4.1%	-4.0%	-0.1%						
Commodities	4.8%	2.8%	2.1%	-5.7%	-8.4%	2.7%						

Benchmarks

TOTAL FUND	18% S&P 1500 / 1% Russell 2000 / 30.25% BC US Long G/C / 3.5% BC US HY / 5% BC US TIPS / 20% NJDOI Custom Int'l / 6.75% HFRI FOF / 5.5% S&P 1500 + 300 bps / 3% NCREIF Property Index / 4% DJ-UBS Commodity Index / 3% Citi 3 Mo T-Bill
US Equity	S&P 1500 Index
International Equity	NJDOI Custom Index
US Fixed Income	Custom US Fixed Income Index (currently BC Long G/C)
Private Equity	S&P 1500 Index + 300 bps (compounded monthly)
Real Estate	NCREIF Property Index
Hedge Funds	HFRI Fund-of-Funds Index
Commodities	DJ-UBS Commodity Index

Source: SIS